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April 19, 2004

VIA OVERNIGHT MAIL

RECEIVED

Helen Helton, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

APR 20 2004

PUBLIC SERVICE
COMMISSION

**Re: Metropolitan Telecommunication Holding Company and
Metropolitan Telecommunications of Kentucky, Inc.
Application for Approval to Issue Evidence of Indebtedness**

Dear Ms. Helton:

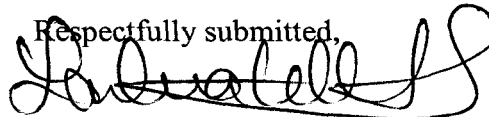
On behalf of Metropolitan Telecommunications Holding Company and Metropolitan Telecommunications of Kentucky, Inc. ("Applicant"), transmitted herewith are an original plus two (2) copies of their redacted Application for Approval to Issue Evidence of Indebtedness ("Application").

Applicants request confidential treatment of certain information contained in their Application. Applicants enclose herewith, in a sealed envelope, an original plus one (1) copy of their unredacted Application and their request for confidential treatment.

An additional copy of this filing is also enclosed, to be date-stamped and returned in the postage-prepaid envelope provided.

Should there be any questions regarding this filing, kindly contact the undersigned.

Respectfully submitted,



Loubna W. Haddad
Regulatory Counsel

Enclosures

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

Case 2004-00141

In the Matter of)
)
Metropolitan Telecommunications Holding)
Company and Metropolitan Telecommunications)
Of Kentucky, Inc.)
)
Application for Approval to Issue)
Evidence of Indebtedness)

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APPLICATION FOR APPROVAL

Metropolitan Telecommunications Holding Company ("Holding Company") and its indirect operating company subsidiary, Metropolitan Telecommunications of Kentucky, Inc. ("MetTel") (collectively, the "Applicants"), by their attorneys and pursuant to K.R.S. § 278.300 and 807 K.A.R. § 5:001, hereby petition the Public Service Commission of Kentucky ("Commission") for approval of authority to amend, restate and extend certain existing financing arrangements as described hereinafter.

The financing arrangement is a credit facility provided to Holding Company, including the issuance of warrants and preferred stock as additional incentives and collateral for the extension of the credit facility. The Holding Company's operating CLEC indirect subsidiary and joint petitioner herein, MetTel, is a guarantor of the indebtedness and its assets are pledged as security for the credit facility.

As required by Section 11 of 807 K.A.R. § 5:001, this Application is supported by the following information and exhibits:

1. General Description of Property, Field of Operation, Original Cost of Property & Equipment, Costs Thereof to Applicant & Depreciation and Amortization Reserves Applicable to Such Property.

MetTel is not operational in the state of Kentucky and, therefore, does not have any property or field of operation in the state.

2. **Amount and Kind of Indebtedness to be Issued and Terms.**

The amounts of the proposed indebtedness is \$ _____ and is comprised of the following two components: (i) a term loan facility of \$ _____ senior secured credit arrangement (“Term Loan A Commitment”) and (ii) a \$ _____ senior subordinated secured credit arrangement (“Term Loan B Commitment”).

The terms of the proposed indebtedness are as follows: By an Amended and Restated Credit Facility Agreement dated September 30, 2003 (the “Restated Agreement”), by and among Holding Company and its various subsidiaries, including MetTel (“Borrower” or “Borrowers”) and its and their lender, MCG Capital Corporation, (“Lender”), (collectively, the “Parties”), that certain Credit Facility Agreement dated May 6, 1999 (the “Original Credit Agreement”),¹ by and among the Parties, was amended and restated in order to subdivide the term loan facility as set forth in numbered paragraph 1 preceding and to otherwise restructure various aspects of the Term Loan Facility. Pursuant to the Restated Agreement, Lender will lend funds to Borrowers on a senior secured basis from time to time prior to September 28, 2004 (the “Term Loan A Maturity Date”). At their option, exercised by written notice provided to the Lender prior to September 28, 2004, Borrowers may extend the maturity date for additional successive periods of 364 days not to exceed October 31, 2006. The extension of the Term Loan A Maturity Date is conditioned upon Borrowers’ delivery of evidence satisfactory to Lender that its has obtained all final necessary regulatory approvals for the incurrence of indebtedness having a term in excess

¹ The Original Credit Agreement was entered into prior to the Commission’s grant of CLEC authority to MetTel.

of 364 days. Upon receipt of such evidence, the Term Loan A Maturity Date shall be automatically extended to October 31, 2006.

As part of the compensation to Lender for the underwriting and establishing the credit facilities, Lender was issued preferred stock and two sets of warrants that, upon exercise, will become shares of common stock of the Holding Company. Block A Warrants represent % of Holding Company's common stock, on a fully diluted basis. Block B Warrants may be exercisable only in the event certain performance benchmarks are not met by June 30, 2004. In such case, Block B Warrants, if exercised, would constitute % of the common stock of Holding Company on a fully diluted basis (subject to vesting as indicated).

The security for the indebtedness is all of the tangible and intangible property, assets and equity interests of Holding Company and each Borrower.

3. **Purposes for which Securities are to be Issued.**

The purposes for which the proceeds are to be used is to renew, continue and restructure the indebtedness owed by Borrowers to Lender under the Original Credit Agreement. The purpose of the restructuring is to reimburse working capital expenditures not heretofore capitalized. The purposes for which the proceeds under the Original Credit Agreement were used were for general corporate purposes to support expansion of its non-dominant communications services operations that offer a full suite of local exchange services to predominantly residential end users and to also expand into long distance and enhanced services.

4. **Proposed Property and Contemplated Construction.**

As noted in paragraph 3, above, the purposes of this credit facility is renew and restructure an existing indebtedness. As that present time, Applicants do not intend to acquire, construct, improve or extend any property nor do they contemplate constructing, extending or improving any facilities.

5. **Other Pertinent Facts.**

The proposed financing arrangements are consistent with the public interest, convenience and necessity. Although the financing arrangements described above will be transparent to MetTel's customers in terms of the services they receive, the proposed financing arrangements will ensure that MetTel will continue to have the financial resources to provide high quality services in Kentucky and compete effectively in the Kentucky market.

6. **Required Exhibits.**

- Attached as Exhibit A hereto are MetTel's financial statements. MetTel is a privately held corporation and its financial statements are not publicly available. Because the information contained in these financial statements is commercially sensitive, MetTel files Exhibit A under seal and pursuant to a request for confidential treatment.

- There are no trust deeds or mortgages relating to the contemplated financing arrangements.

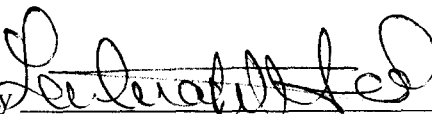
- For the reasons set forth in paragraph 4, above, there are no maps and plans of proposed property and construction.

- In compliance with Section 8 of 807 K.A.R. § 5:001, attached as Exhibit B hereto are MetTel's Articles of Incorporation and all amendments thereto.

Wherefore, based on the foregoing, it is respectfully requested that the Commission approve the credit facility sought by the Applicants.

Dated this _____ day of April, 2004.

Metropolitan Telecommunications Holding Company
Metropolitan Telecommunications of Kentucky, Inc.

By 
for Charles H. Helein
Their Attorney

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8180 Greensboro Drive, Suite 700
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703-714-1330 (Facsimile)
chh@thlglaw.com

EXHIBIT A

Financial Statements

CONFIDENTIAL – FILED UNDER SEAL

[REQUEST FOR CONFIDENTIAL TREATMENT ENCLOSED]

EXHIBIT B

Articles of Incorporation

CERTIFICATE OF INCORPORATION

METROPOLITAN TELECOMMUNICATIONS OF KENTUCKY, INC.

FIRST: The name of the corporation is METROPOLITAN TELECOMMUNICATIONS OF KENTUCKY, INC.

SECOND: Its Registered Office is to be located at 15 East North Street, Dover, Delaware 19901 in the county of Kent. The Registered Agent in charge thereof is W/K Incorporating Services, Inc.

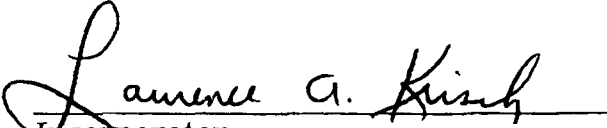
THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The amount of the total authorized capital stock of this corporation is Two Thousand, Five Hundred (2,500), common shares all of which shall be without par value.

FIFTH: The name and mailing address of the incorporator is as follows:

Lawrence A. Kirsch
90 State Street
Albany, New York 12207

I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein are true, and I have accordingly hereunto set my hand this 16th day of October, 2000.


Incorporator
LAWRENCE A. KIRSCH
90 State Street
Albany, New York

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

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COMMISSION**

In the Matter of)
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Application for Approval to Issue)
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PETITION FOR CONFIDENTIAL TREATMENT

1. Metropolitan Telecommunications Holding Company ("Company") and its indirect operating company subsidiary, Metropolitan Telecommunications of Kentucky, Inc. ("MetTel") (collectively, the "Applicants"), through their attorney, hereby requests the Kentucky Public Service Commission ("Commission") afford confidential treatment of Applicants' Application for Approval to Issuance Evidence of Indebtedness ("Application").

2. In support of said request, the following information is provided.

3. The Application contains commercially sensitive information regarding the terms of the underlying credit facilities. The disclosure of this information in the context of the above-captioned docket or otherwise could provide Applicants' competitors with valuable insight into the financial structure and planned operations of Applicants. Because this represents highly confidential and strictly proprietary information, the disclosure of which to the public, including competitors, could result in direct and immediate harm to the competitive position of Applicants, there is a genuine need for Applicants to seek non-disclosure of this information.

4. While the Commission needs to review this information to determine and confirm the merits of the Application submitted in the above-captioned docket, the general public has no direct or substantive interest in this information.

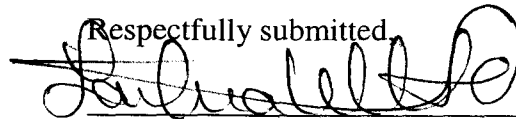
5. Applicants' competitors also do not require this information other than to gain potential competitive advantage or to use the information in an unfair and potentially anti-competitive manner.

6. The enduring policies of the state have been to encourage and support competition in telecommunications. Essential to the proper workings of that policy is the maintenance of a level playing field in which competitors are made to compete on their own merits relative to price, service quality, innovation and customer service. Allowing access to one competitor's commercially sensitive information runs contrary to these principles and, hence, would not serve the public interest.

7. The information sought to be protected has not been made public in any other forum or jurisdiction. Applicants are seeking in other jurisdictions similar protective orders to safeguard the confidentiality of this information.

8. Accordingly, Applicants respectfully request the Commission afford confidential treatment of its Application submitted, under seal, in the above-captioned matter.

Respectfully submitted,



Loubna W. Haddad
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